

Message Text

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PAGE 01 OECD P 28956 101040Z

17/45

ACTION EUR-25

INFO OCT-01 ISO-00 SSO-00 DRC-01 NSCE-00 USIE-00 INRE-00

CIAE-00 PM-07 INR-10 L-03 NEA-10 NSAE-00 PA-04 RSC-01

PRS-01 SPC-03 TRSE-00 SAJ-01 IO-14 OMB-01 ACDA-19

EB-11 COME-00 DODE-00 H-03 NSC-10 SS-20 CCO-00 /145 W

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FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 1063

AMEMBASSY BONN

USMISSION EC BRUSSELS

US MISSION NATO 3275

C O N F I D E N T I A L OECD PARIS 28956

ECOTO 7

S E C O N D C O R R E C T E D C O P Y (CAPTION - ECOTO 7, VICE
SECTO 7)

E.O. 11652 GDS

TAGS:

SUBJ: OFFSET

DEPARTMENT REPEAT IMMEDIATE TO THE SECRETARY

1. OFFSET DISCUSSION IN BONN RESULTED IN GERMAN COMMITMENT
TO ADDITIONAL MILITARY PROCUREMENT AND GOVERNMENT FACILITATION
OF URANIUM PURCHASE BY PRIVATE UTILITIES. THIS CAN ADD
ADDITIONAL \$370 MILLION. GERMANS PROPOSE WE ACCEPT DIRECT
EXPENDITURES INCURRED BY THEM FOR BERLIN OCCUPATION AND
IMPUTE RENTAL VALUE FOR REAL ESTATE MADE AVAILABLE BY THEM
AS ADDITIONAL OFFSET. THIS WOULD AMOUNT TO \$1.5 BILLION
PER YEAR. THIS THEY ARGUE WOULD BRING OFFSET WELL IN EXCESS
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PAGE 02 OECD P 28956 101040Z

OF PREVIOUS 80 PERCENT TARGET. I POINTED OUT THAT ONLY A VERY

SMALL PORTION OF THESE ADDITIONAL ITEMS, IF ANY, WOULD BE
LIKELY TO BE ACCEPTED AS OFFSET AND THAT, AS WE STAND,
OFFSET ONLY AMOUNTS TO SOMETHING LIKE 42 PERCENT
WHICH WOULD CALL FOR SUBSTANTIAL TROOP WITHDRAWALS.
I POINTED OUT ACTION BY THE CONGRESS IN ENACTING JACKSON-NUNN
CALLED FOR ENTIRELY NEW APPROACH TO OFFSET. IN THE FIRST
INSTANCE, DETERMINATION OF THE ADEQUACY OF OFFSET WOULD BE
MADE ON A NATO-WIDE BASIS. THE GERMANS ARE CONCERNED ABOUT
THIS FACTOR AND HAVE BEEN WARY ABOUT POSSIBILITY
THAT BILATERAL OFFSET COMMITMENT WOULD SET THEM UP FOR FURTHER
TAP IN MULTILATERAL BURDENSHP. I POINTED OUT THAT IT
MIGHT BE BEST TO LOOK AT JACKSON-NUNN AS A POSITIVE DEVELOPE-
LOPENT. AS AN OVERWHELMING EXPRESSION OF THE SENATE THAT FULL
OFFSET JUSTIFIES US TROOP COMMITMENT, IT CAN PROVIDE STABILITY
AND REMOVE ANNUAL THREAT OF TROOP WITHDRAWAL PURSUANT
TO MANSFIELD LIKE AMENDMENT. INTELLIGENT THING TO
DO IS FULLY ANALYZE JACKSON-NUNN IMPLICATIONS, MEASURE
IT AGAINST FUTURE PROCUREMENT AND INFRASTRUCTURE COSTS
AND SEE HOW MUCH IN ADDITION TO EUROPEAN MILITARY BUDGETS
WOULD BE REQUIRED TO ABSORB US SERVICE COSTS TO THE
EXTENT OF CREATING SOLID ASSURANCE FOR CONTINUED TROOP
COMMITMENT. I THREW OUT MY PERSONAL PRELIMINARY ESTIMATE
THAT SOMETHING IN THE ORDER OF A 3 PERCENT INCREASE IN
EUROPEAN MILITARY BUDGETS WOULD BE ENOUGH TO ACHIEVE FULL
OFFSET AND TO ASSURE CONTINUED COMMITMENT OF US FORCES AT
PRESENT LEVEL UNDER JACKSON-NUNN PROVISION. THE GERMANS
AGREED THAT THIS SHOULD BE STUDIED CAREFULLY AND REQUESTED
OUR ANALYSIS OF HOW JACKSON-NUNN OPERATES AND WHAT IT WOULD
TAKE TO FULLY MEET ITS REQUIREMENTS.

2. EB, EUR AND PM SHOULD BEGIN WORK TO LAY OUT MAGNITUDE
OF NATO-WIDE PROCUREMENT REQUIREMENTS, THE ADDITIONAL
OUTLAYS NEEDED TO FILL THE GAP BETWEEN FULL OFFSET AND FULL
PROCUREMENT, HOW THIS MIGHT BE ALLOCATED AMONG NATO COUNTRIES,
WHAT IT REPRESENTS AS PERCENTAGE OF EXISTING LEVEL OF MILITARY
BUDGETS, TIME FLEXIBILITY IN MOVING BUDGETS TO FULL OFFSET LEVEL
TOGETHER WITH ANY OTHER FACTORS NECESSARY FOR FULL ANALYSIS
AND PRESENTATION OF ARGUMENTS AND PROGRAM FOR FULL OFFSET.
EXPLORE WITH DEFENSE AND COMMERCE THE DEGREE TO WHICH WE
CAN STILL USE CURRENCY FEEDBACK TO THE US, PREVIOUSLY
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PAGE 03 OECD P 28956 101040Z

AGREED TO, TO JUSTIFY 80 PERCENT RATHER THAN 100 PERCENT
OFFSET.

3. IN BRUSSELS ON WEDNESDAY, I INITIATED THINKING AND WORK
ALONG THESE LINES ON THE PART OF THE US NATO DELEGATION.
HAVE PRELIMINARY THINKING, ASSEMBLY OF DATA AND PROGRAM
TO COMPLETE ANALYSIS AND PRESENTATION OF THIS
APPROACH READY FOR DISCUSSION WITH ME ON WEDNESDAY (NOV.14).

CASEY

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